

Service Date: December 20, 2000

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATER OF MILLER OIL	)	
COMPANY, dba CITY LINE,	)	
Application for Approval of Increased	)	UTILITY DIVISION
Rates for Propane Service in the	)	DOCKET NO. D2000.8.118
Culbertson, Montana, Service Area	)	ORDER NO. 6263a
And Approval of a Propane Cost	)	
Tracking Procedure.	)	

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FINAL ORDER

Introduction

1. On August 11, 2000, Miller Oil Company, dba City Line (City Line), filed an application with the Public Service Commission (PSC) for approval of increased rates for propane service to customers in the Culbertson, Montana, service area. City Line states that revenues at present rates are insufficient to meet revenue requirements and proposes a total annual increase of approximately \$123,244, to be recovered through a 48.19 percent increase in rates for customers in the metered residential and small commercial class and a 3.43 percent increase in rates for customers in the metered school class. In addition, City Line also requests approval of a propane cost tracking adjustment procedure. The procedure would allow monthly adjustments to rates based on changes in propane costs, accrual of costs that are not reflected in rates, and an annual true-up.

2. In its application City Line also proposed an across-the-board 41 percent increase for interim purposes. City Line argued that immediate interim relief is needed and a uniform increase is the proper tool for implementation. The PSC, through its own analysis, determined that a 41 percent increase to both residential / small commercial class and the school class would be difficult to implement and that a 42.2 percent increase for residential / small commercial

customers and no increase for the school class was a better proposal to obtain the interim revenue requirement. On August 22, 2000, the Commission approved Interim Order No. 6263 for a revenue increase of \$108,191, effective September 1, 2000.

### Findings of Fact

1. On September 6 and 7, 2000, an onsite audit of City Line's books and records was conducted by staff from both the PSC and the Montana Consumer Counsel (MCC). On September 14, 2000, the PSC received a request by the Culbertson Chamber of Commerce and Agriculture for a formal public hearing on City Line's proposed propane increase. On September 21, 2000, the PSC received a request from the Town of Culbertson for a formal public hearing on City Line's proposed increase.

2. On November 2, 2000, the MCC and City Line filed a Stipulation Agreement, agreeing to a reduced revenue increase (\$9,037, from \$123,244 to \$114,207). This reduction was achieved by making six adjustments:

- 1) non-recovery of advertising expenses
- 2) non-recovery of franchise fee through usage rates
- 3) non-recovery of income tax expense
- 4) a reduction of insurance expense of \$4,176
- 5) a reduction in the overall rate of return to 9.5%
- 6) a rate base reduction to reflect deferred income taxes

3. The effective rates and charges resulting from the agreement as set forth were attached to the Stipulation Agreement as Exhibit "A", and agreed to by both parties. The "Propane Cost Tracking Procedure" was attached to the Stipulation Agreement as Exhibit "B" and agreed to by both parties.

4. On December 6, 2000, a public hearing was held in Culbertson, Montana. The Stipulation Agreement was presented, and statement of agreement to the stipulation was made by both parties.

5. Two members of the public spoke at hearing. One expressed concern over the original proposed monthly customer charge of \$12.87, comparing that charge to propane service elsewhere in the state (e.g., Townsend, \$5.00 monthly charge), but indicated that the stipulated reduction of the charge to \$9.75 per month was more acceptable. The PSC determines that the stipulated monthly charge is just and reasonable for City Line's service area. The other member

expressed concern over the methodology used to determine the rates for schools and the possibility that the residential and small commercial class ratepayers might be subsidizing the school class fuel consumption in City Line's service area. Under certain circumstances, and the PSC determines that such is the case in City Line's service area, it is better overall for all ratepayers if utilities attempt to retain large customers at special rates, and thereby make some contribution to the utility's rate requirements, rather than lose those customers to alternative energy sources. The school class has alternative fuel sources.

6. Upon review and consideration the PSC adopts the Stipulation, finding that the rates and charges in the Stipulation are just and reasonable. The PSC authorizes City Line, on a final basis, to implement a general rate increase in propane rates and charges in the amount of \$114,207 which is a reduction of \$9,037 from the requested \$123,244. The Commission also approves the proposed Propane Cost Tracking Procedure, as agreed to through the Stipulation.

#### Conclusions of Law

1. The PSC is responsible for the supervision, regulation, and control of public utilities pursuant to the provisions of Title 69. Section 69-3-102, MCA. Miller Oil, dba City Line is a public utility subject to the PSC's jurisdiction, §69-3-101, MCA. The Commission concludes that the approval of the stipulated rates increase and Propane Cost Tracking Procedure are both just and reasonable.

#### ORDER

NOW THEREFORE, IT IS ORDERED THAT:

1. Miller Oil, dba City Line, is hereby granted authority to implement a general rate increase, on a final basis, for its customers in accordance with the approved Stipulation Agreement.

2. Miller Oil, dba City Line, shall file revised tariff schedules to all services as outlined in the Stipulation Agreement. Tariffs shall be effective for services rendered on and after December 19, 2000.

3. The Commission hereby approves the Gas Cost Tracking Procedure as outlined in the Stipulation. Miller Oil, dba City Line, shall file tariffs for the implementation of this procedure as outlined in the Stipulation and shall become effective upon approval of this order.

DONE IN OPEN SESSION AT HELENA, MONTANA THIS 19 day of December,  
2000, by a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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DAVE FISHER, Chairman

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NANCY MCCAFFREE, Vice Chair

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BOB ANDERSON, Commissioner

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GARY FELAND, Commissioner

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BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson  
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision.  
A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.